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COMMONWEALTH OF KENTUCKY  
**DEPARTMENT OF REVENUE**  
FINANCE AND ADMINISTRATION CABINET  
FRANKFORT  
40620

TO: Retail Sales and Use Tax Permit Holders and Registered Consumers

DATE: July 1, 2004

### **Expiring Budget Impacts to Sales Tax**

The following sales tax provisions appeared in HB 269, the budget bill for Fiscal Years 2002-2004. These provisions expired with the current budget, therefore, on June 30, 2004:

- the provision that limited the cap on vendor compensation for sales tax to \$1,500 expired;
- the provision imposing sales tax on natural gas transmission and distribution charges expired.

For financial planning purposes, please be advised that these provisions, which expired June 30, did appear in both the House and Senate versions of the proposed budget bills this last session. There remains, therefore, the possibility that the General Assembly could reenact these provisions retroactively in the budget when it is passed.

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### **Streamlined Sales Tax Implementation**

Changes became effective July 1, 2004, to conform Kentucky's tax laws to the national Streamlined Sales and Use Tax Agreement. Examples of categories where the adoption of uniform tax definitions has created changes are as follows:

- prescription drugs;
- prosthetic devices;
- medical items previously exempt as physical aids;
- grocery food (excluding the newly defined categories of alcoholic beverages, tobacco products, candy, soft drinks, dietary supplements, and prepared foods);
- leases and rentals;
- prewritten computer software and other tangible personal property;
- delivery charges;
- elimination of the \$10 general business license fee.

For additional information, please review the last three editions of ***Kentucky Sales Tax Facts*** or call (502) 564-5170. You may also access this information online by going to [www.revenue.ky.gov](http://www.revenue.ky.gov).